

DEPARTMENT OF DEFENSE BLOGGERS ROUNDTABLE WITH COL. ROY GRAY, DIRECTOR, FINANCE
AND CONTRACTING DIRECTORATE, MINISTRY OF INTERIOR TRANSITIONAL TEAM, VIA
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LIEUTENANT JENNIFER CRAGG (Office of the Secretary of Defense for
Public Affairs): We'll go ahead and get started. And hello, I'd like to
welcome you all to the Department of Defense's Bloggers Roundtable for Monday,
March 30th, 2009. My name is Lieutenant Jennifer Cragg with the Office of the
Secretary of Defense for Public Affairs, and I'll be moderating the call today.

A note to the bloggers on the line, please clearly state your name
prior to asking your question.

And today our guest is Colonel Roy Gray. He's the director of Finance
and Contracting Directorate, Minister of Interior Transitional Team. Colonel
Gray will discuss his perspective on MNSTC-I's ongoing efforts to assist the
minister -- Ministry of Interior in developing and maintaining financial systems
and processes.

With that, sir, I'm going to turn the floor over to you, if you'd like
to start with an opening statement. COL. GRAY: Thank you, Lieutenant Cragg.
Very kind of you to introduce me.

First of all, hello to you all, and I want to thank you all for your
all's continuing to speak for us to the folks back home and across the world.
This is my first experience with this, so bear with me. I will attempt to give
you some of the insights into the advising and mentoring we do at the MoI-TT,
the Ministry of Interior Transition Team.

My organization falls under the Directorate of Interior Affairs, and it
deals strictly with the Ministry of the Interior, which reports to the Multi-
Security Transition Command.

I'm now in my 14th month here. I had an opportunity to see firsthand
some of the significant accomplishments at the Ministry of the Interior. And
the Iraqis have made an -- great strides in establishing their status as a
sovereign nation.

Overall, the MoI has made a focus on building up their forces, adding
modern police capabilities and professionalism and then moving to what -- moving
towards police primacy in several of the metropolitan areas.

Our mission at MoI-TT Finance and Contracting is to assist the Directorate of Finance and the Directorate of Contracting by providing the mentoring and assistance to plan, program and execute their budgets and to efficiently and quickly garner contracts that would provide -- that provide the MoI with the goods and services that it needs in order to complete the issuance of basic supplies and equipment for police and also to sustain the equipment and their infrastructure for the years to come.

I feel they've moved towards the basics -- beyond the basics of manning, training and equipment into the more strategic effort of establishing the police force as the major force for crime prevention and investigations in the country. And in doing so, they've started to follow the rule of law.

The government of Iraq is, however, as you know, facing a number of significant challenges in 2009, the largest of which is the drop of revenue based on the price of oil. This is the first year that they've had any real problems like this to deal with, because before -- 2007 and before, the coalition provided a major portion of their funding. And last year oil prices spiked at over \$140 a barrel, so they were very flush with cash and were, in fact -- enabled them to issue a supplemental budget that they received in October.

In many respects now, though, they're facing a lot of the same challenges that governments in the Western world are having to deal with as we go through a world recession. They have shown a lot of progress over the past four years, and I've been happy to see a lot of progress in my 16 months -- or my 14 months here. But obviously, there's still a lot of work to be done and many obstacles ahead of them as they move towards a secure and democratic state.

And with that, that concludes my opening statement.

LT. CRAGG: Thank you, sir.

Let's turn it over to Chuck. Chuck, go ahead, please.

Q Good evening, Colonel. Chuck Simmins from America's North Shore Journal. Thank you for taking the time to speak with us today.

My first question goes to processes and procedures. Obviously, there has been a Ministry of Interior for decades. How much of their accounting their contracting, is legacy process and procedure, and how much of it is new? And for the new, what country are they using for a model?

COL. GRAY: Most of the procedures that they are using, we, in fact, implemented with the Coalition Provisional Authority when Mr. Paul Bremer was here. We set up a lot of their new laws. But it was in a situation where the security was the paramount concern at the time, and also with a very heavy slant towards preventing corruption in the future.

One legacy that they do have is they're on a cash accounting system, so any time we're talking about the Iraqis spending money, they have to execute all their funds by the end of their calendar year, which is also their fiscal year. And it limits some of the things they can do for long-term projects.

Q Okay. Within the ministry, the area that you work in, how modernized are their systems? Are they fully computerized? Are they still doing a lot on paper? Where are they with modernization?

COL. GRAY: They're still about 20 to 25 years behind what we would consider a modern organization. We have introduced them to a lot of computer processes, and in the short time that they have been working with these, they've been trying to sort out what they want to use going forward in the future.

They still are paper-based, though. All their orders have to come written. All the responses are written. They still like to see a lot of signatures, a lot of stamps. They're still somewhat reluctant to have authority pushed down to the level that it probably should be. So -- but they're grasping that. And the leaders that understand where they're going in the future are trying to be dynamic enough and forceful enough to make the system work without having to rely on everything going all the way up the chain of command for approval.

Some of the systems they use -- we developed an Excel spreadsheet just to help them track budgeting expenditures within the MOI. They have taken that and expanded on it, and it's gotten to be so large now that what we've introduced them to is an (access ?) database, and we're working with them to try and get that initiated.

And in fact, the Ministry of Finance likes it so much that they've pushed it off to the other ministries, so that the other ministries will start using the format that they have for general reporting.

But it is Excel-based. There are some other systems that -- USAID and DFID purchased a system called E-ministry, and that hit a snag about two years ago when some of the Bearing Point contractors were kidnapped at the Ministry of Finance. So some of the modules are working in that; some have never been implemented. And we're trying to push that forward, also. But there's still a lot of the programming that has to be done to make it interface with a lot of the systems that they have, and in a way that they want to use it going forward.

So there's -- as far as a centralized data system, they -- they're still probably two years away from implementing something like that. But the MOI is taking the lead and, as the largest ministry, they could actually -- I'm not going to say that they could make the decision, but they will drive the train in some instances, as far as technology.

Q Okay. If I'm hearing you correctly, then, their primary hardware is PC-based and PC network, rather than the old-style mainframes that we very often see in the United States.

COL. GRAY: That's correct.

Q Okay, and --

COL. GRAY: And a part -- I'm sorry. A part of that is due to -- quite frankly, due to the electrical service in the country. Last summer, we experienced blackouts in the building anywhere from a couple of hours to four or five days; where fuel would not be delivered to the backup generators. And so they have several mainframes, legacy mainframes, that they try and -- did try and use, and they just could not maintain them, with the lack of electricity.

So it's much easier to have a battery backup hooked to a PC, to run what they need to run. And they've tried to decentralize a lot of that.

Q All right.

Now, going to some general accounting-type things for Iraq, do they primarily use the British form of accounting? Or do they use the American form of accounting?

COL. GRAY: You'll have to differentiate that for me.

Q Well, I'm not all incredibly clear on that to begin with. But I believe it has to do with how they define the net assets. But if neither of us understands it, I'll go on to another question then.

Is the MOI still paying all its people in cash?

COL. GRAY: For the most part, yes, but they are starting to move towards electronic banking. And that is more of a problem with the banking system than the MOI. They had been wanting to do this for several years before I got here. That was an initiative that they had attempted to do. But the banking system cannot handle that in certain areas of the country.

So they would still have to dispatch couriers, to come and pick up cash, to make payroll. But for the most part, in the larger cities, they notify the banks. And the local -- (inaudible) -- now will have somebody come and pick up the payroll and make payroll.

But it is still on a cash basis in those areas. And one of the initiatives we've tried to get started here is a payroll system, where they have an account and do a direct deposit.

But until the banking system is up and running, in all the communities, they're not going to really try that, because they don't want to have it run in Baghdad and not run in the rest of the country, if that makes sense to you.

Q Yeah.

Is there one national bank? Or do they have many, many different banks, like the United States does? COL. GRAY: They have several large banks, one national bank. And then there's several large banks. And then there's just a whole plethora of smaller banks in the communities.

But they all have differing standards of automation and security. So until they have a banking oversight that's strong enough to have a minimum baseline of services, I think that's going to hinder them in doing any kind of automatic payroll.

In one instance, the MOI has a hard problem in issuing letters of credit and wiring funds. They still have to procedurally go through the MOF to do that. So they will request the MOF to do that for them, and the actual agent for the transfer would be the Ministry of Finance. And so once they get a transaction done, a lot of times the MOF will not inform them until days or weeks later that the transaction occurred. And that's just the way that system works.

Q Okay. Let's talk a little bit about contracting. Down at the local level, the national police local camp or local office, they need repairs done. They need windows replaced or they need their plumbing fixed or something. That has to go all the way up to the ministry in order to get done?

COL. GRAY: No, sir. No, sir. Each province and each separate directorate has their own authority up to \$5 million.

Q Okay.

COL. GRAY: Anything above \$5 million, it has to come to the central ministry for contracting. Now, they are in a process of continually educating and professionalizing that force out in the country. They have also centralized some purchases. They were not happy with, for instance, the uniform purchases because they couldn't get a standardized uniform across the country, and they thought some of the provinces were paying a premium for a very basic-type uniform, so they've centralized that. And it could be that they centralize some other things as they go forward, especially with the budget constraints they're facing right now.

Q All right. Are you able to speak to the allegations by the Sons of Iraq that they haven't been being paid by the ministry?

COL. GRAY: Yes, yes, I can, actually. The ministry was just notified about three weeks ago that they would be responsible for paying all the Sons of Iraq. And under the laws that they have, they cannot simply make payments to Sons of Iraq unless they are employees of the Ministry of the Interior. So they had to get special legislation passed for that money to pass through the MOI back to the -- it's called IFCNR and then on to the sheikhs for the payments to the Sons of Iraq.

Q Well, now the transfer to the ministry has been going on since late fall, early winter. How is this all of a sudden coming as a surprise to them?

(Pause.)

LT. CRAGG: Chuck, are you still on the line?

Q I'm still here. Did we lose the colonel?

LT. CRAGG: I think something might have happened, and he dropped off. Do you mind waiting for just a couple minutes?

Q Not at all.

LT. CRAGG: Okay.

Q How am I doing?

LT. CRAGG: You're doing fine, Chuck.

Q (Chuckles.)

LT. CRAGG: But -- so why don't we just wait for a couple minutes --

Q Yeah.

LT. CRAGG: -- and we'll wait for him to call back, because something happened. We can always reschedule. We'll just wait.

Q Yeah. LT. CRAGG: I'm going to just give him a quick e-mail. Hang on -- rather send them a quick e-mail. Please hold. (Pause.)

Good morning. Major Lane (sp)?

MAJ. LANE (sp): Yep, we're back now.

LT. CRAGG: Okay. Roger that. Continue where he was -- left off. Do you remember?

Q I remember.

MAJ. LANE (sp): Talking about the Sons of Iraq.

LT. CRAGG: Yes, ma'am.

Q Let me repeat my question. The transfer to the ministry has been going on since late fall, early winter. How is it a surprise to the ministry that they're responsible for paying these folks?

COL. GRAY: The Ministry of Interior has not been making those payments. That money has been coming from the prime minister's office --

Q Oh, okay.

COL. GRAY: -- through the Iraqi Forces Committee for National Reconciliation. They, in fact, administer the funds, and they have the -- with the assistance of the Iraqi army in some locales. In other locales, they give the money directly to the sheik that is in charge of that tribe -- tribal portion of the Sons of Iraq.

So the Ministry of the Interior has not been involved in any of the payments up until -- the first payment actually is going out today from the Ministry of the Interior.

Q Okay. All right.

Okay, so this is an internal Iraqi government problem where the right hand didn't know what the left hand was doing, really.

COL. GRAY: No, I wouldn't say that. It's just that they decided that the best ministry to administer this would be the MoI because of their large administrative capabilities. However, they had not thought about putting the laws in place that would allow transfer of funds without some either contract of hire or services being done, which is two of the requirements that the MoI has to do to make payment to anybody.

So without a bill, or without an employee, they were hamstrung and could not make -- just make payment to somebody.

Q (Okay ?).

COL. GRAY: So they've had to go through and get that all legal.

And essentially, since they're under a continuing resolution, they did not have excess cash to just give -- to make payments to the Sons of Iraq. So the central bank of Iraq had to transfer funds to the Ministry of Finance, who then transferred money into the MoI's account at the Trade Bank of Iraq. Then they were able to make a check payable over to IFCNR, and they will take those funds -- and they should be doing that today as we speak -- to make payments to the Sons of Iraq. Q Okay. So the payments are going to be coming -- still coming out of IFCNR and the prime minister's office, but the Sons of Iraq are now under the Ministry of the Interior for financial responsibility.

COL. GRAY: That's yet to be determine also, because if they -- if they don't get a budget in place soon, where that money is going to come from -- they're essentially being lent the money from the central bank of Iraq.

Q Okay.

COL. GRAY: So hopefully that will be budgeted. And they have been told that those funds will be added to their budget, once they receive it. And so then that would be true at that point.

Q Okay.

COL. GRAY: Right now it's an ad hoc type of arrangement.

Q Okay.

So they're into a fiscal year right now without a budget.

COL. GRAY: Correct.

Q And what is their fiscal year? I realize --

COL. GRAY: Their fiscal year is the calendar year.

Q The calendar year.

COL. GRAY: Correct.

Q Okay. And they use the Western calendar.

COL. GRAY: Yes, they do.

Q Okay.

So they're 25 percent through their year without a budget. Is that primarily because of legislature? The parliament's having difficulty with the shortfall in revenue.

COL. GRAY: Partially. And this is just Colonel Gray speaking. But it was an election year, where they had a lot of provincial elections. They decided that they would not vote on the budget. Since it did not pass by the end of last year, they tabled that until all of the new provincial council people were onboard. And they had a chance to discuss that in parliament. And they did pass it.

However one of the sticking points was the payment to the Sons of Iraq. And the prime minister sent that back, to the council of representatives, to get that portion added. So it's a steep learning curve for all of them. But you know, we can't really point any fingers, because our system is not any better sometimes.

Q Yeah, all right.

Now, the ministry, how far out into the field do they push their civilian side?

Are there finance -- civilian finance people working at the various national police camps and things like that? Or are the -- do the police handle their own finance, and the only civilians are at the ministry level?

COL. GRAY: It is -- it's much like the -- our military -- and I don't know -- I've never dealt with a large metropolitan police department, but the -- they have a combination of police and civilians that work in all of their administrative areas. It's the same in the headquarters. So when they have training, some of them will be career policemen that have decided they wanted to get into finance or contracting. And then some of them are civilians.

Q Okay. Can you talk about what kind of courses we're running for these folks and about how many people we may have at least given rudimentary training to?

COL. GRAY: Over the past year we've had several courses that have been given by the naval post-graduate college in programming, budgeting and execution. And that is done at the Baghdad Police College.

We've also been working with the British equivalent of USAID; sent -- they've sent over 70 people to -- for training and strategic planning. And then we internally have worked with some of their new graduates from the Baghdad Police College that went for the three-year school and actually get a college degree and have been selected to work within the Directorate of Finance. We've been working with them on some basic computer skills before they go to these other courses.

The final one; we've got one scheduled for June that is a special class set up for governmental agencies. And that is through the Dubai School of Government. And they do that in conjunction with Harvard business college. And they're going to be sending two groups of about 35 total.

So we have -- we have 15 provinces that we assist with and then all the directorates within the ministry of interior. So they'll all be sending representatives to that.

Q Now, does the ministry have any internal training? I'm wondering how Joe National Police Captain in Basra finds out how to fill out the forms.

COL. GRAY: Yes, they have -- they have their own training. If -- a captain down in Basra probably would not be filling out the forms if he was just starting out. He would have to go through the initial training for finance. And that would be done here at the Baghdad police college. And they have their own internal classes that they are doing.

But that has been strained, just because they've been trying to push out as many policemen as they can. So the administrative courses have been slow to come about, and not as many of them as we would like to see. But they all have capable people, out in the provinces, that understand the laws of Iraq and the CPA provisions and how to operate within the system here.

Q Does -- back to a general accounting question -- does Iraq have a system -- they call it something different in Britain but a CPA, a certified public accountant? Are there people that do accounting for a living in Iraq? And is there a regulated system?

COL. GRAY: Not that I'm aware of, but I don't follow the accounting world specifically.

Q Okay.

LT. CRAGG: With that, Chuck, if you just want to ask your last question, we're slowly running out of time. And I'll turn it back over to the colonel, so he can close with a closing statement.

Q Okay. I wanted to ask about asset management and accountability, both for fixed assets and for, you know, anything from desks to rifles to -- is there -- what's the system like for asset management and accountability?

COL. GRAY: The system is fairly -- fairly well parallels the system that the United States Army uses. We have introduced a lot of the systems that we have, as far as signing for equipment, issuing equipment. One of the things that we found during the early years was that very worthwhile organizations trying to help would give goods to certain portions of the government, and they would use them for their job, but a lot of people felt that those were their items and it was a gift from the United States. So we've -- we've had a hard time tracking all that down.

But the major person that -- or the major area that runs the supply accountability is the -- it's called the Directorate of Infrastructure and it is -- it has not only the -- what we consider infrastructure, but it also has the logistics portion of that. And they are making great strides in how to order equipment for maintenance, you know, repair parts; new equipment, how to track that.

We've introduced models of wear-out dates, so that in their strategic planning they can start planning on when they need to replace police cars, weapons; upgrade air conditioning systems; those sort of things that we take for granted, that somebody has always just told them when they get to do that, and now they have to plan on it up front. So that's a big -- big push for them.

And it's a big success, because they've just now developed a three-year plan, which they'd never done before, and they're getting ready to present that within the next 30 days.

Q Great.

LT. CRAGG: Okay, sir, the floor is yours, if you'd like to end with a closing statement or thought based on our discussion today.

COL. GRAY: Well, thank you again. It's been a pleasure to talk to you, Chuck.

And I have seen a lot of progress in the past 14 months that from a person looking on the outside may not appreciate as being a significant gain, but the people that are left here in Iraq, they possess the ability to withstand 30 years of the former regime, and they have succeeded in keeping themselves alive and keeping their jobs and doing what they need to do to move Iraq forward.

And we look at small steps as being very important. And they are taking ownership in a lot of areas and they are not looking at the coalition first for answers anymore; they're looking internally. And now they are being proactive. I couldn't have said that a year ago. They were fairly reactive in how they dealt with problems. But the strategic planning that we've put them through, they now start to understand that they have to take responsibility for what the future holds and they need to plan for it accordingly.

And, you know, just having a staff meeting was something novel and unusual to them because they just got direction before, and now we're telling them, you should have meetings, share information, you should plan what you're going to do, you need to be able to adjust to changes, such as changes in the oil price and how it affects your budget. So -- and they get that. And that's one of the big success stories that I'm going to take back home and be very proud -- (audio disconnected at source).

LT. CRAGG: Chuck?

Q Yeah, I'm still here. That was him again.

LT. CRAGG: Okay. I'm not too sure if he will call back, but we can hold for a second.

Q Yeah.

LT. CRAGG: Thank you so much. And if there's any follow-on questions, please let me know. But we'll just wait for one minute. Okay?

Q Yeah.

END.